

Message Text

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ACTION EB-08

INFO OCT-01 EA-09 ISO-00 EUR-12 FEA-01 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 SS-15

STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01

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PASS USDA/FAS, MCCONNELL, SUGAR & TROPICAL PRODS, FCA

E.O. 11652: N/A

TAGS: EAGR, RP

SUBJ: PHILIPPINE BULK SUGAR EXPORT FACILITIES AND EXPORT
CAPACITY

REF: A. MANILA 3348 B. MANILA 2714

1. SUMMARY. IN VIEW OF THE RECENT SALES OF PHILIPPINE SUGAR TO THE USSR, PRC AND PRIVATE BROKERS, IN ADDITION TO THE CONTRACTUAL COMMITMENTS TO U.S. REFINERS, QUESTIONS HAVE BEEN RAISED AS TO WHETHER OR NOT THE PHILIPPINES CAN MOVE THE VOLUME OF SUGAR INVOLVED. TABLE SUMMARIZING SUBJECT FACILITIES AIRPOUCHED. PRIMARY SOURCE OF INFORMATION WAS THE NATIONAL WAREHOUSE CORPORATION (NWC) AND VERIFIED WITH THE TRADE SOURCES. END SUMMARY.

2. ACCORDING TO NWC, MAXIMUM EXPORT CAPACITY OF PHILIPPINE BULK SUGAR EXPORT FACILITIES IS 300,000 MT PER MONTH FOR 10 MONTHS (3 MILLION MT/YEAR). HOWEVER, EXPORTS DURING PEAK PERIODS ARE LIMITED BY THE INLOADING CAPACITY WHICH, ACCORDING TO NWC DATA, IS RATED AT ABOUT 281,000 MT PER MONTH (2.8 MILLION MT/YEAR). TRADE SOURCES BELIEVE THAT EXPORTS OF 3 MILLION TONS A YEAR IS UNCLASSIFIED

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UNATTAINABLE. EXPORTS OF 2.0 TO 2.2 MILLION MT IS A MORE REALISTIC RANGE FOR THE FOLLOWING REASONS. FIRST, MAXIMUM EXPORTS CANNOT BE ACHIEVED FOR A 10-MONTH PERIOD PRIMARILY BECAUSE OF WEATHER CONDITIONS AND SCHEDULING OF VESSELS. EXPECTING MAXIMUM EXPORTS FOR 10 MONTHS IS UNREALISTIC SINCE THE RAINY SEASON LASTS FROM FOUR TO SIX MONTHS. PRECIPITATION AND WIND SEVERELY CURTAIL MOVEMENT OF BARGES, INLOADING, OUTLOADING AND

SHIFTING OF VESSELS. SECOND, SCHEDULING AND LOADING OF VESSELS IS COMPLICATED BY THE FACT THAT MOST PORTS CANNOT LOAD LARGE SHIPS WHICH REQUIRES TOPPING-OFF AT EITHER GUIMARAS OR BATANGAS OR SCHEDULING OF SMALLER SHIPS. PROPER PLANNING HOWEVER, CAN PARTIALLY OVERCOME THIS PROBLEM. THIRD, EXPORTS AT MOST OF THE PORTS (BAIS, SAN CARLOS, ORMOC, TOLONG AND UNITED PLANTERS) ARE LIMITED BY THE PRODUCTION CAPACITY OF THE MILL(S) LOCATED AT THE PORT SITE. AFTER THE CANE IS HARVESTED AND PROCESSED, THE MILLS SHUT DOWN AND ARE INACTIVE FOR APPROXIMATELY 3-4 MONTHS. FOURTH, THE PROBLEM OF COORDINATING THE MOVEMENT OF SUGAR FROM THE MILL TO THE APPROPRIATE PORT.

3. PRIMARY SOURCE OF INFORMATION ON SUGAR EXPORT FACILITIES AND CAPACITY WAS GREGORIO S. GONZALES, ASSISTANT GENERAL MANAGER, NWC. ACCORDING TO HIM, NWC IS AWARE OF CURRENT PROBLEMS ASSOCIATED WITH LOADING SUGAR AND IS ACTING TO CORRECT THEM. FOR EXAMPLE, A COMPUTER MODEL HAS BEEN DEVELOPED TO HELP DETERMINE THE BEST ALLOCATION OR COMBINATION OF RESOURCES (MILLS AND PORTS) TO MOVE SUGAR MORE EFFICIENTLY AND PRELIMINARY RUNS ARE EXPECTED NEXT MONTH. NWC IS ALSO BEGINNING TO BUILD INLOADING AND OUTLOADING FACILITIES AT THEIR WAREHOUSE IN PULUPANDAN; STUDYING THE FEASIBILITY OF EXPANDING THEIR WAREHOUSE AT GUIMARAS; AND, WORKING WITH THE MILLS TO CONSTRUCT STORAGE FACILITIES FOR AT LEAST 40 PERCENT OF MILL CAPACITY.

4. GONZALES' COMPETENCE AND PROFESSIONALISM WERE IMPRESSIVE. HE CORRECTED PREVIOUS INFORMATION ON NWC REPORTED IN REF A. ACCORDING TO THE NOVEMBER 1974 LETTER OF INSTRUCTION, PHILEX WAS GIVEN THE AUTHORITY TO CONSTRUCT WAREHOUSE TO FACILITATE THE STORAGE

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OF SUGAR. PHILEX CREATED THE NWC, A SEMI-GOVERNMENT AGENCY, TO HANDLE ALL WAREHOUSING AND DISTRIBUTION OPERATIONS. NWC FILED BEFORE THE SEC AND WAS GRANTED CORPORATE STATUS ON JUNE 3, 1976. MR GONZALES ANTICIPATES CLOSE COORDINATION WITH PHILIPPINE PORT AUTHORITY, DEPT. OF PUBLIC WORKS, AND BUREAU OF CUSTOMS TO ESTABLISH PRIORITIES FOR IMPROVING PORTS BUT DOES NOT ANTICIPATE A LETTER OF INSTRUCTION WILL BE ISSUED AUTHORIZING NWC TO ORDER PORTS TO BE DREDGED. NWC IS NOW WORKING WITH THE MILLS TO CONSTRUCT STORAGE FACILITIES FOR AT LEAST 40 PERCENT OF MILL CAPACITY.

5. COMMENT. BECAUSE OF THE LIMITING FACTORS MENTIONED IN PARA 1, THERE WILL BE A WIDE DISPARITY BETWEEN ANNUAL RATED SUGAR EXPORT CAPACITY AND ACTUAL EXPORTS. FOR THE REMAINING SIX MONTHS OF THIS CROP YEAR, AGATTACHE ESTIMATES THAT EXPORTS WILL AVERAGE ABOUT 180,000 MT/MONTH, AND TOTAL APPROXIMATELY 1.8 MILLION MT FOR THE CROP YEAR ENDING AUGUST 31. ONE KNOWLEDGEABLE TRADE CONTACT WHO WAS PREVIOUSLY PESSIMISTIC ABOUT PHILIPPINE EXPORT PERFORMANCE NOW OPTIMISTICALLY ESTIMATES

THAT EXPORTS WILL AVERAGE 200,000 MT FOR REMAINING 6 MONTHS OF THIS CROP YEAR. WHILE THIS ESTIMATE SEEMS OVERLY OPTIMISTIC IT INDICATES THAT SOME OF THOSE WHO EARLIER CRITICIZED PHILEX FOR ENTERING INTO CONTRACTS THEY COULD NOT FILL (I.E., 600,000 MT TO RUSSIA IN 6 MONTHS) MAY HAVE BEEN PREMATURE IN THEIR COMMENTS WHICH WERE LARGELY BASED ON PAST EXPORT PERFORMANCE. WHILE THE PHILIPPINE EXPORTS HAVE NEVER AVERAGED MORE THAN 140,000 MT PER MONTH DURING A CROP YEAR, EXPORTS PRIOR TO 1975 WERE LIMITED BY THE US QUOTA AND PRIOR TO 1977, BY THE LACK OF LARGE EXPORT SALES.

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